

1 and later at Deloitte & Touche, I was responsible for the performance of audit
2 and related services for clients in the utilities, manufacturing and distribution,
3 healthcare, telecommunications and technology industries. While at Deloitte &
4 Touche, I served in a risk management role in the firm's National Office, and I
5 also devoted a significant amount of time to resolution of technical accounting
6 issues and to serving Securities and Exchange Commission (SEC) registrants. I
7 left the firm as an audit partner in August 2000 to join SCANA as an assistant
8 controller. I became SCANA's and SCE&G's Controller in the Spring of 2002.
9 I am a certified public accountant in South Carolina and North Carolina, and I am
10 a member of the American Institute of Certified Public Accountants.

11 **Q. HAVE YOU PREVIOUSLY OFFERED TESTIMONY IN REGULATORY**
12 **PROCEEDINGS?**

13 A. Yes. My direct written testimony was filed in one previous regulatory
14 proceeding, South Carolina Electric & Gas Company, Docket No. 2005-113-G.
15 The proceeding was settled, and my testimony was stipulated into the record of
16 the proceeding.

17 **Q. PLEASE DESCRIBE THE SCOPE OF THE TESTIMONY YOU ARE**
18 **PRESENTING IN THIS CASE.**

19 A. In connection with Docket No. 2007-229-E and the Company's
20 Application for Adjustments and Increases in Electric Rates and Charges
21 ("Application"), the Company included certain exhibits containing financial

1 information. In this testimony I discuss a number of the exhibits included in the
2 Application and ask the Commission to incorporate by reference the Application
3 into the record of these hearings. The purpose of my testimony is to describe
4 each of these exhibits and certain other accounting and financial information in
5 support of the Company's Application.

6 **Q. HOW ARE THE BOOKS AND RECORDS OF THE COMPANY**
7 **MAINTAINED?**

8 A. The books and records of the Company are maintained in accordance with
9 accounting principles generally accepted in the United States and with the
10 Uniform System of Accounts for major utilities as prescribed by the Federal
11 Energy Regulatory Commission ("FERC"). This Uniform System of Accounts
12 has been adopted by the Commission and is followed by major utilities subject to
13 its jurisdiction. Compliance with generally accepted accounting principles and
14 the Uniform System of Accounts is necessary in order to provide consistent and
15 pertinent financial information to the general public, investors, regulators and the
16 financial community.

17 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS**
18 **BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?**

19 A. SCANA and the Company maintain and rely upon an extensive system of
20 internal accounting controls, audits by both internal and external auditors, and
21 financial oversight by the Audit Committee of SCANA's Board of Directors.

1 The system of internal accounting controls is designed to provide reasonable
2 assurance that all transactions are properly recorded in the books and records and
3 that assets are protected against loss or unauthorized use. Historically, the system
4 of internal accounting controls was reviewed annually by our independent
5 auditors in connection with their financial statement audits. In 2004 and
6 subsequently, however, Section 404 of the Sarbanes Oxley Act of 2002 has
7 required that our internal control system be subjected to an even more thorough
8 analysis. Each year, management documents SCANA's significant accounting
9 processes and thoroughly tests the key accounting controls, while our
10 independent auditors perform an independent audit of those controls and of the
11 adequacy of the management assessment process itself. No material weaknesses
12 in our controls have been found as a result of either the management assessment
13 process or the independent audits.

14 **Q. PLEASE DESCRIBE EXHIBIT NO. ____ (JES-1) WHICH IS ALSO**
15 **EXHIBIT NO. D-1 OF THE APPLICATION.**

16 A. Exhibit No. ____ (JES-1) consists of 10 pages and includes the
17 Condensed Consolidated (Regulatory Basis) Balance Sheet for SCE&G as of
18 March 31, 2007, and the Condensed Consolidated (Regulatory Basis) Statement
19 of Income for the twelve months ended March 31, 2007. These Statements were
20 prepared in accordance with generally accepted accounting principles, except that
21 they exclude the accounts of South Carolina Generating Company, Inc. which

1 would be consolidated with SCE&G in order for the financials to be in
2 conformity with generally accepted accounting principles (as described on page 5
3 of 10 of Exhibit No. __ (JES-1)), and they are consistent with similar statements
4 previously filed with this Commission.

5 **Q. PLEASE DESCRIBE EXHIBIT NO.____ (JES-2) WHICH IS ALSO**
6 **INCLUDED AS EXHIBIT D-II OF THE APPLICATION.**

7 A. Exhibit No. __ (JES-2) (page 1 of 3) is an analysis of the Company's total
8 electric operating experience that identifies operating revenues and expenses,
9 income for return, original cost rate base, and rate of return for the twelve months
10 ended March 31, 2007 (the "test year").

11 **Column 1** provides a description of the items included in determining
12 income for return and original cost rate base.

13 **Column 2** presents the "regulatory per books" amounts used to determine
14 income for return and original cost rate base for the test year.

15 **Column 3** summarizes the Company's accounting and pro forma
16 adjustments that are necessary to reflect known and measurable changes to the
17 results of the Company's electric operations for the test year. The detail for each
18 pro forma adjustment by line item is included on page 3 of 3 of Exhibit No.
19 (JES-2) and also on page 3 of 3 of Exhibit No. D-II of the Application.

20 **Column 4** presents the results of the Company's electric operations as
21 adjusted for the accounting and pro forma adjustments.

1 Page 2 of 3 of Exhibit No. ____ (JES-2) shows the retail electric results of
2 operations after adjustment (column 2), as well as those results after application
3 of the proposed revenue increase (columns 3 and 4).

4 **Q. PLEASE EXPLAIN THE DERIVATION OF THE RATE OF RETURN**
5 **ON ORIGINAL COST RATE BASE THAT APPEARS ON PAGE 2 OF 3**
6 **OF EXHIBIT NO. ____ (JES-2) AND ALSO ON EXHIBIT D-II, PAGE 2 OF**
7 **3 OF THE APPLICATION.**

8 A. On page 2 of 3, the total income for return on line 12 is divided by the
9 total original cost rate base reflected on line 22 to derive the rate of return on
10 original cost rate base as reflected on line 23. This exhibit shows that the
11 Company earned only 7.33% on rate base during the test year, but would have
12 earned 9.18% if the proposed revenue increase and the accounting and pro forma
13 adjustments had been considered.

14 **Q. PLEASE EXPLAIN EXHIBIT NO. ____ (JES-3) WHICH IS ALSO**
15 **INCLUDED AS EXHIBIT D-III OF THE APPLICATION.**

16 A. Exhibit No. ____ (JES-3) shows the computation of the proposed revenue
17 increase and serves to reconcile the components of the increase by showing the
18 impact of taxes and customer growth on the returns. The computation here
19 details the 9.18% return seen on Exhibit ____ (JES-2), page 2 of 3.

20 **Q. PLEASE DESCRIBE EXHIBIT NO. ____ (JES-4) WHICH IS ALSO**
21 **EXHIBIT D-IV OF THE APPLICATION.**

1 A. Exhibit No. ____ (JES-4) is a Statement of Fixed Assets – Electric at
2 March 31, 2007. This statement details gross Plant in Service and Construction
3 Work in Progress (“CWIP”) by FERC functional classification identified in
4 **Column 1.**

5 **Column 2** includes the amounts recorded on the books and records of the
6 Company as of March 31, 2007.

7 **Column 3** summarizes the accounting and pro forma adjustments that
8 impact Plant in Service and CWIP as detailed in Exhibit No. ____ (JES-2) page 3
9 of 3 and Exhibit D-II, page 3 of 3, of the Application.

10 **Column 4** shows the balances after including the effects of the
11 adjustments identified in Column 3.

12 **Column 5** contains the amount of adjusted gross Plant in Service and
13 CWIP allocated to retail electric operations.

14 **Q. PLEASE DESCRIBE EXHIBIT NO. ____ (JES-5), WHICH IS ALSO**
15 **EXHIBIT D-V OF THE APPLICATION.**

16 A. Exhibit No. ____ (JES-5) consists of two sections. The first section is the
17 Company's Statement of Depreciation Reserves for Electric Operations at March
18 31, 2007.

19 **Column 2** shows the amounts recorded on the Company's books for the
20 Reserve for Depreciation by FERC functional classification as described in
21 **Column 1.**

1 **Column 3** summarizes the adjustments to Depreciation Reserves as
2 detailed in Exhibit No. ____ (JES-2) and Exhibit D-II, page 3 of 3, of the
3 Application.

4 **Column 4** shows the balances after including the effects of the
5 adjustments identified in column 3.

6 **Column 5** is the amount of Depreciation Reserves allocated to retail
7 electric operations.

8 The second section is a Schedule of Annual Depreciation Rates for
9 Electric Operations, detailed by FERC functional classification, and showing in
10 one column the composite rates that currently apply to those FERC functional
11 classifications and in another column the weighted average rates based on
12 activity through the test year.

13 **Q. PLEASE DESCRIBE EXHIBIT NO. ____ (JES-6) WHICH IS ALSO**
14 **EXHIBIT D-VI OF THE APPLICATION.**

15 A. This exhibit shows details of the balances of materials and supplies, deferred
16 debits and credits and working capital found on rows 18 through 20 of Exhibit
17 No. ____ (JES-2), pages 1 and 2 of 3 and also of Exhibit D-II, pages 1 and 2 of 3,
18 both as reflected on SCE&G's books and after the effects of the accounting and
19 pro forma adjustments.

20 **Q. PLEASE DESCRIBE EXHIBIT NO. ____ (JES-7) WHICH IS ALSO**
21 **EXHIBIT D-VII OF THE APPLICATION.**

1 A. This exhibit shows the components of SCE&G's retail electric pro forma
2 regulatory capitalization and the computation of its weighted average cost of
3 capital as of the end of the test year, both before and after consideration of the
4 requested increase in revenues. As shown here, the return on equity for the test
5 year, after accounting and pro forma adjustments, was 8.27%. In deriving a
6 reasonable return on rate base, the Company has used the low end of the range of
7 returns on equity recommended by Dr. Murry.

8 **Q. MR. SWAN, I NOW ASK THAT YOU RETURN TO EXHIBIT NO. __**
9 **(JES-2). PLEASE DESCRIBE PAGE 3 OF 3 OF EXHIBIT NO. ____ (JES-**
10 **2) WHICH IS ALSO EXHIBIT D-II, PAGE 3 OF 3 OF THE**
11 **APPLICATION.**

12 A. Exhibit No. ____ (JES-2) details the accounting and pro forma
13 adjustments that the Company is proposing in this proceeding, by the component
14 of income and rate base to which each adjustment applies.

15 **Q. PLEASE LIST THE ACCOUNTING AND PRO FORMA**
16 **ADJUSTMENTS THAT YOU DISCUSS IN THIS PREFILED**
17 **TESTIMONY.**

18 A. The accounting and pro forma adjustments that I discuss herein are as
19 follows. (The adjustment numbers coincide with the numbers on page 3 of 3 of
20 Exhibit No. ____ (JES-2) and Exhibit D-II, page 3 of 3 of the Application, and the

1 page number directs your attention to the page in this testimony where my
2 discussion of a particular adjustment is located.)

<u>No.</u>	<u>Adjustment Title</u>	<u>Page</u>
1.	Annualize wages, benefits & payroll taxes	
	A. Annualize wages, benefits & payroll taxes	11
	B. Incentive pay	11
2.	Pension & healthcare adjustments	
	A. Pension Income	12
	B. Other post employment benefits	12
3.	Eliminate employee clubs investment & expenses	13
4.	Adjust property taxes	13
5.	Property adjustments	
	A. Property retirements	13
	B. Property additions	13
	C. Remove CWIP associated with new nuclear generation	14
6.	CWIP	14
7.	AMR depreciation	14
8.	Annualized depreciation	15
9.	Reagent expenses	15
10.	Non-recurring Federal agency fees	15

11.	Non-recurring Morgan Stanley market adjustment fee	15
12.	Annualize insurance expense	16
13.	Annualize VCS outage accrual	16
14.	VCS emergency feedwater and ASIC card write-off	16
15.	Reclassification of taxes related to wetland accrual	17
16.	Postage increase	17
17.	Purchased power	17
18.	Capacity purchases	17
19.	Working cash	17
20.	Tax effect of annualized interest	18

Q. PLEASE DESCRIBE THE ADJUSTMENTS.

A. Adjustment No. 1A, Annualize wages, benefits & payroll taxes,

adjusts wages, benefits and payroll taxes to current levels as of the end of the test year. The effect of this adjustment is to increase O&M expenses by \$4,313,352 and other taxes (payroll taxes) by \$306,181. The inclusion of such an adjustment is consistent with prior practice in other proceedings and has been previously approved by the Commission.

Adjustment No. 1B, Incentive pay, adjusts incentive compensation cost and related payroll taxes for the test year to fifty percent of the amounts actually accrued. This adjustment is included for consistency with the Commission's

1 established practice as set forth in prior orders; however, SCE&G does not mean
2 to imply by inclusion of this adjustment that it agrees with this treatment or that it
3 may not object to the removal of such incentive pay costs from utility expenses in
4 future proceedings. The effect of this adjustment is to decrease O&M expenses
5 by \$1,782,011 and other taxes (payroll taxes) by \$166,387.

6 **Adjustment No. 2A, Pension income**, annualizes the effect of additional
7 income being generated by the Company's pension plan in 2007 (versus 2006)
8 and thereby reduces test year O&M expenses by \$1,470,972. The performance
9 of the Company's pension trust in recent years has resulted in increasing
10 investment balances in the plan such that pension income to be recorded for
11 calendar year 2007 (based on an actuarial study) will exceed the income recorded
12 for 2006. The inclusion of this entry is consistent with the annualization of labor
13 costs as of the end of the test year in Adjustment 1A and with prior practice in
14 other proceedings.

15 **Adjustment No. 2B, Other post employment benefits**, annualizes O&M
16 expenses for other post employment benefits ("OPEB"), principally post-
17 retirement health care benefits, to match the amounts required to be accrued in
18 2007, also based on an actuarial study. The result is a decrease in test year O&M
19 expenses of \$56,331. Because our OPEB plan is unfunded, this adjustment to
20 decrease OPEB expense results in a related increase in rate base. The effect of
21 this adjustment is to decrease other deferred credits by \$34,784. Inclusion of this

1 adjustment is also consistent with the annualization of labor costs as of the end of
2 the test year in Adjustment 1A and with prior practice in other proceedings.

3 **Adjustment No. 3, Eliminate employee clubs investment & expenses,**

4 removes costs related to our employee clubs (the Pine Island, Sand Dunes and
5 Misty Lake Clubs). The effect of this adjustment is to lower O&M expenses by
6 \$347,580, common plant in service by \$4,812,284, depreciation reserves by
7 \$1,147,157 and depreciation expense by \$704,959. This adjustment is included
8 for consistency with the Commission's established practice as set forth in prior
9 orders; however, SCE&G does not mean to imply by inclusion of this adjustment
10 that it agrees with this treatment or that it may not object to the removal of such
11 costs from utility expenses in future proceedings.

12 **Adjustment No. 4, Adjust property taxes,** reflects the application of

13 current property tax millage rates to the assessable plant in service amounts as of
14 the end of the test year, including the pro forma entries impacting plant in service
15 described below, and thereby increases other taxes for the test year by
16 \$5,411,468.

17 **Adjustment No. 5A, Property retirements,** reduces plant in service and

18 accumulated depreciation to reflect the recording of pending retirements as of the
19 end of the test period.

20 **Adjustment No. 5B, Property additions,** increases plant in service to

21 reflect reclassifications into plant accounts of several specific projects which

1 were in construction work in progress as of the end of the test year. The entries
2 increase plant in service by \$42,670,514 (including \$733,965 of cost incurred
3 after March 31, 2007), while decreasing CWIP by \$41,936,549 and increasing
4 depreciation expense and reserves by \$1,914,573. Reflected within these entries
5 is approximately \$38 million related to the Wateree Cooling Tower #1 project.
6 These entries are customary and have been computed consistently with methods
7 used in prior proceedings.

8 **Adjustment No. 5C, Remove CWIP associated with new nuclear**
9 **generation**, removes from rate base \$10,251,671 of accumulated costs which
10 will be addressed in future proceedings expected to occur under the procedures
11 described in the recently enacted Base Load Review Act of 2007.

12 **Adjustment No. 6, CWIP**, adjusts plant in service and construction work
13 in progress accounts to account for certain projects in CWIP at the end of the test
14 year but for which the “in-service” dates occurred prior to the end of the test
15 year. Notably, the depreciation adjustment below (adjustment No. 8) includes
16 the deprecation impact of this reclassification. As with the other proposed
17 property area adjustments, this entry was computed in a manner consistent with
18 practice in prior proceedings.

19 **Adjustment No. 7, AMR depreciation**, reflects a proposed revision to
20 the depreciation rates to properly account for reduced lives of electric meters
21 upon the implementation of automated meter reading technology. The effect of

1 this adjustment is to increase both annual depreciation expense and depreciation
2 reserves by \$681,998.

3 **Adjustment No. 8, Annualize depreciation**, increases depreciation
4 expense and reserves by \$12,665,917 to provide for a full year of depreciation
5 cost on the pro forma plant in service balance, exclusive of depreciation cost on
6 the plant in service computed in Adjustment 5B above.

7 **Adjustment No. 9, Reagent expenses**, removes from the test year's
8 O&M expenses the cost of ammonia and lime used in our selective catalytic
9 reactors and a dry scrubber, respectively, to reflect the passage of the Base Load
10 Review Act of 2007 and the prospective treatment of these costs as part of the
11 fuel adjustment clause beginning in May of 2007. This entry reduces O&M
12 expenses by \$4,820,405.

13 **Adjustment No. 10, Non-recurring Federal agency fees**, increases
14 O&M expenses by \$1,787,843 to adjust certain other Federal agency fees
15 charged by the FERC to their current normal level. FERC's billing to SCE&G
16 in August 2006 was significantly lower than normal due to the application of
17 credits related to prior periods, resulting in a non-recurring reduction in cost
18 being recorded in the test year. This entry adjusts the fees to the amounts
19 actually billed for the 2006 – 2007 period.

20 **Adjustment No. 11, Non-recurring Morgan Stanley market**
21 **adjustment fee**, removes from the test year \$1,000,495 of revenues associated

1 with a power sales contract which expired on June 30, 2006 and was not
2 renewed.

3 **Adjustment No. 12, Annualize insurance expense**, increases O&M
4 expenses by \$546,260 to annualize the current cost of premiums for the insurance
5 policies in place at the end of the test year.

6 **Adjustment No., 13, Annualize VCS outage accrual**, adjusts test year
7 costs by \$963,001 to provide for the accrual of costs applicable to refueling
8 outage #18 (scheduled for mid-2008). Actual test year costs reflect nine monthly
9 accruals for refueling outage #17 which was completed in late 2006 and three
10 monthly accruals for refueling outage #18.

11 **Adjustment No. 14, VCS emergency feedwater & ASIC card write-**
12 **off**, decreases O&M by \$2,007,962 and payroll taxes by \$5,076 to remove from
13 test year costs the non-recurring write-off in March 2007 of inventory and costs
14 accumulated in work orders related to two projects which were determined by
15 management to be non-feasible and were therefore abandoned. The goal of one
16 of these projects had been to improve emergency feedwater flow volumes, and
17 the other's primary focus was the implementation of universal multi-functional
18 electronic data cards for the operation of certain plant systems and controls.
19 Based on economic and engineering analysis performed at the end of March
20 2007, neither of these potential projects was to be further pursued. While these

1 costs were reasonable and prudently incurred, we are not seeking their recovery
2 in this proceeding.

3 **Adjustment No. 15, Reclassification of taxes related to wetland**
4 **accrual**, removes from the test year's costs state and Federal tax expense totaling
5 \$130,701 associated with a below-the-line accrual for wetlands remediation.

6 **Adjustment No. 16, Postage increase**, increases O&M expenses by
7 \$126,145 to account for the increase in postal rates which was effective on May
8 14, 2007.

9 **Adjustment No. 17, Purchased power**, reduces amortization expense by
10 \$8,539,354 to recognize that the cost of purchased power which had been
11 deferred and was being amortized over three years as approved by Order No.
12 2005-2 will be fully amortized in December 2007, prior to any new rates from
13 this proceeding being implemented.

14 **Adjustment No. 18, Capacity purchases**, reduces O&M expenses by
15 \$1,966,739 to remove the cost of non-recurring short-term capacity purchases
16 during the test year. While these costs were reasonable and appropriate under the
17 circumstances, inclusion of this adjustment is consistent with prior practice in
18 other proceedings.

19 **Adjustment No. 19, Adjust working cash**, accounts for changes in
20 working cash requirements arising from the above accounting and pro forma
21 adjustments. The impact of the adjustment is to increase rate base (deferred

1 debits) by \$242,508. The methodology for computing this adjustment is
2 consistent with prior practice.

3 **Adjustment No. 20, Tax effect of annualized interest**, adjusts state and
4 Federal income taxes for the impact on interest cost arising from the above
5 accounting and pro forma adjustments. This adjustment is consistent with prior
6 practice and has been previously approved by the Commission.

7 This concludes the listing and discussion of the accounting and pro forma
8 adjustments we are proposing to make to the test year financial information in
9 this case.

10 **Q. MR. SWAN, DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes. It does.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

CONDENSED CONSOLIDATED (REGULATORY BASIS) BALANCE SHEET
As of March 31, 2007

CONDENSED CONSOLIDATED (REGULATORY BASIS) STATEMENT OF INCOME
For the Twelve Months Ended March 31, 2007

South Carolina Electric & Gas Company
Condensed Consolidated Balance Sheets (Regulatory basis)
March 31, 2007

	March 31, 2007
<u>Assets:</u>	
Total Utility Plant	7,615
Less Accumulated Deprec. and Amortization	(2,383)
Total	5,232
Construction Work in Progress	254
Nuclear Fuel, Net of Accumulated Amortization	70
Utility Plant, Net	5,556
<u>Other Property and Investments:</u>	
Nonutility Property, Net of Accum Deprec	32
Trust Assets	58
Other Investments	26
Other Property and Investments	116
<u>Current Assets:</u>	
Cash and Temporary Cash Investments	14
Receivable - Customer and Other	300
Receivable - Affiliated Companies	28
Inventories (At Average Cost):	
Fuel	127
Materials and Supplies	86
Emission Allowances	46
Prepayments	24
Misc. Current Assets	1
Deferred Income Taxes	16
Total Current Assets	642
<u>Deferred Debits:</u>	
Pension Asset	206
Due from affiliates-postretirement assets	43
Regulatory Assets	660
Other	99
Total Deferred Debits	1,008
<u>Total Assets</u>	<u>\$7,322</u>

South Carolina Electric & Gas Company
Condensed Consolidated Balance Sheets (Regulatory basis)
March 31, 2007

	March 31, 2007
<u>Capitalization and Liabilities:</u>	
<u>Capitalization:</u>	
Common Stock (\$4.50 Par Value)	161
Prem on Common Stock and Other Paid in Capital	1,203
Capital Stock Expense (Debit)	(5)
Retained Earnings	1,080
Total Common Equity	2,439
Preferred Stock (Not Subject to Purchase or Sinking Funds)	106
Total Stockholders' Investment	2,545
Preferred Stock (Subject to Purchase or Sinking Funds)	8
Long-Term Debt, Net	1,851
Total Capitalization	4,404
Minority Interest	86
<u>Current Liabilities:</u>	
Short-Term Borrowings	361
Current Portion of Long-Term Debt	10
Accounts Payable	160
Accounts Payable - Affiliated Companies	176
Customer Deposits	40
Taxes Accrued	28
Interest Accrued	28
Dividends Declared	37
Other	39
Total Current Liabilities	879
<u>Deferred Credits</u>	
Deferred Income Taxes	761
Deferred Investment Tax Credits	99
Asset Retirement Obligations and Related Funding	269
Due to affiliates - pension asset	4
Post Retirement Benefit	195
Regulatory Liabilities	555
Other	70
Total Deferred Credits	1,953
<u>Total Capitalization and Liabilities</u>	<u>\$7,322</u>

South Carolina Electric & Gas
Condensed Consolidated Income Statement (Regulatory basis)
For the Twelve Months ended March 31, 2007
(Millions of Dollars)

	Twelve Months Ended March 31, 2007
<u>Operating Revenues</u>	
Electric	1,931
Gas	501
<u> Total Operating Revenues</u>	<u>2,432</u>
<u>Operating Expenses</u>	
Fuel Used in Electric Generation	556
Purchased Power	178
Gas purchased for Resale	382
Other operation and maintenance	463
Depreciation and amortization	290
Other taxes	135
<u> Total Operating Expenses</u>	<u>2,004</u>
<u>Operating Income</u>	<u>428</u>
Other Income(Expense)	
Other Revenues	44
Other Expenses	(30)
Gain on Sale of investments and assets	3
Allowance for equity funds used during construction	0
Interest charges, net of allowance for borrowed funds used during construction of \$8, \$3, and \$9	(131)
<u>Total Other Income (Expense)</u>	<u>(114)</u>
Income Before Income Taxes (Benefit) & Preferred Stock Dividends	314
<u>Income Tax Expense (Benefit)</u>	<u>70</u>
Income Before IncomeEarnings from Equity Method Investments & Preferred Stock Dividends	244
<u>Earnings from Equity Method Investments</u>	<u>(22)</u>
Net Income	222
Preferred Stock Dividends	7
<u>Earnings Available for Common Shareholder</u>	<u>215</u>

See Notes to Condensed Consolidated (Regulatory Basis) Financial Statements

SOUTH CAROLINA ELECTRIC & GAS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Unaudited)

These regulatory basis financial statements include the accounts of South Carolina Electric & Gas Company (the Company) and South Carolina Fuel Company, Inc. (Fuel Company) only. They exclude the accounts of South Carolina Generating Company, Inc. which, under the provisions of FIN 46R, would be consolidated with the Company in order for the financials to be in conformity with generally accepted accounting principles.

The following notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 and the Notes to the Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, the information furnished herein reflects all adjustments, all of a normal recurring nature, which are necessary for a fair statement of the results for the interim periods reported on a regulatory basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Variable Interest Entity

Financial Accounting Standards Board Interpretation (FIN) 46 (Revised 2003), "*Consolidation of Variable Interest Entities*," requires an enterprise's consolidated financial statements to include entities in which the enterprise has a controlling financial interest. SCE&G has determined that it has a controlling financial interest in South Carolina Fuel Company, Inc. (Fuel Company), and accordingly, the accompanying condensed consolidated financial statements include the accounts of SCE&G and Fuel Company. The equity interests in Fuel Company are held solely by SCANA Corporation (SCANA), the Company's parent. Accordingly, Fuel Company's equity and results of operations are reflected as minority interest in the Company's condensed consolidated financial statements.

Fuel Company acquires, owns and provides financing for SCE&G's nuclear fuel, fossil fuel and emission allowances. The effects of these transactions are eliminated in consolidation.

B. Basis of Accounting

The Company accounts for its regulated utility operations, assets and liabilities in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 71, "*Accounting for the Effects of Certain Types of Regulation*." SFAS 71 requires cost-based rate-regulated utilities to recognize in their financial statements certain revenues and expenses in different time periods than do enterprises that are not rate-regulated. As a result, the Company has recorded the regulatory assets and regulatory liabilities summarized as follows.

Millions of dollars	March 31, 2007
Regulatory Assets:	
Accumulated deferred income taxes	\$ 156
Under-collections-electric fuel and gas cost adjustment clauses	37
Deferred purchased power costs	6
Environmental remediation costs	18
Asset retirement obligations and related funding	243
Franchise agreements	54
Deferred regional transmission organization costs	7
Deferred employee benefit plan costs	125
Other	13
Total Regulatory Assets	\$ 659

Millions of dollars	March 31, 2007
Regulatory Liabilities:	
Accumulated deferred income taxes	\$ 30
Over-collection - gas cost adjustment clause	10
Other asset removal costs	415
Storm damage reserve	46
Planned major maintenance	4
Other	20
Total Regulatory Liabilities	\$ 525

Accumulated deferred income tax liabilities arising from utility operations that have not been included in customer rates are recorded as a regulatory asset. Accumulated deferred income tax assets arising from deferred investment tax credits are recorded as a regulatory liability.

Under- and over-collections-electric fuel and gas cost adjustment clauses, net, represent amounts under- or over-collected from customers pursuant to the fuel adjustment clause (electric customers) or gas cost adjustment clause (gas customers) as approved by the Public Service Commission of South Carolina (SCPSC) during annual hearings. Included in these amounts are regulatory assets or liabilities arising from realized and unrealized gains and losses incurred in the natural gas hedging program of the Company's regulated operations.

Deferred purchased power costs represent costs that were necessitated by outages at two of SCE&G's base load generating plants in winter 2000-2001. The SCPSC approved recovery of these costs in base rates over a three-year period beginning January 2005.

Environmental remediation costs represent costs associated with the assessment and clean-up of manufactured gas plant (MGP) sites currently or formerly owned by SCE&G. Costs incurred by SCE&G at such sites are being recovered through rates.

Asset retirement obligations (ARO) and related funding represents the regulatory asset associated with the legal obligation to decommission and dismantle V. C. Summer Nuclear Station (Summer Station) and conditional AROs recorded as required by SFAS 143, *"Accounting for Asset Retirement Obligations,"* and FIN 47, *"Accounting for Conditional Asset Retirement Obligations."*

Franchise agreements represent costs associated with electric and gas franchise agreements with the cities of Charleston and Columbia, South Carolina. Based on an SCPSC order, SCE&G began amortizing these amounts through cost of service rates in February 2003 over approximately 20 years.

Deferred regional transmission organization costs represent costs incurred by SCE&G in the United States Federal Energy Regulatory Commission (FERC)-mandated formation of GridSouth. The project was suspended in 2002. Effective January 2005, the SCPSC approved the amortization of these amounts through cost of service rates over approximately five years.

Deferred employee benefit plan costs represent pension and other postretirement benefit costs which were accrued as liabilities under provision of SFAS 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,"* but which are expected to be recovered through utility rates.

Other asset removal costs represent net collections through depreciation rates of estimated costs to be incurred for the future removal of assets.

The storm damage reserve represents an SCPSC-approved collection through electric rates capped at \$50 million, which can be applied to offset incremental storm damage costs in excess of \$2.5 million in a calendar year. For the three months ended March 31, 2007, no amounts were drawn from this reserve.

Planned major maintenance related to certain fossil and hydro-turbine equipment and nuclear refueling outages is accrued in advance of the time the costs are incurred, as approved through specific SCPSC orders. SCE&G is allowed to collect \$8.5 million annually over an eight-year period, beginning in January 2005, through electric rates to offset turbine maintenance expenditures. Nuclear refueling charges are accrued during each 18-month refueling outage cycle as a component of cost of service and do not receive special rate consideration.

The SCPSC has reviewed and approved through specific orders most of the items shown as regulatory assets. Other regulatory assets represent costs which have not been approved for recovery by the SCPSC. In recording these costs as regulatory assets, management believes the costs will be allowable under existing rate-making concepts that are embodied in rate orders received by SCE&G. However, ultimate recovery is subject to SCPSC approval. In the future, as a result of deregulation or other changes in the regulatory environment, the Company may no longer meet the criteria for continued application of SFAS 71 and could be required to write off its regulatory assets and liabilities. Such an event could have a material adverse effect on the Company's results of operations, liquidity or financial position in the period the write-off would be recorded.

C. Affiliated Transactions

With respect to affiliated transactions at March 31, 2007, reference is made to Note 1N to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and Note 1C to the condensed consolidated financial statements in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007. No changes have occurred with respect to these matters as reported therein. In addition to these transactions SCE&G purchases all of the electric generation of Williams Station, which is owned by South Carolina Generating Company (GENCO), under a unit power sales agreement. SCE&G had approximately \$15.0 million payable to GENCO for unit power purchases at March 31, 2007. Such unit power purchases, which are included in "Purchased power," amounted to approximately \$144.5 million for the twelve months ended March 31, 2007.

2. RATE AND OTHER REGULATORY MATTERS

With respect to rate and other regulatory matters at March 31, 2007, reference is made to Note 2 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and Note 2 to the condensed consolidated financial statements in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007. No changes have occurred with respect to these matters as reported therein.

3. COMMITMENTS AND CONTINGENCIES

Reference is made to Note 10 to the consolidated financial statements appearing in SCE&G's Annual Report on Form 10-K for the year ended December 31, 2006. Commitments and contingencies at March 31, 2007 include the following:

A. Nuclear Insurance

The Price-Anderson Indemnification Act deals with public liability for a nuclear incident and establishes the liability limit for third-party claims associated with any nuclear incident at \$10.5 billion. Each reactor licensee is currently liable for up to \$100.6 million per reactor owned for each nuclear incident occurring at any reactor in the United States, provided that not more than \$15 million of the liability per reactor would be assessed per year. SCE&G's maximum assessment, based on its two-thirds ownership of Summer Station, would be \$67.1 million per incident, but not more than \$10 million per year.

SCE&G currently maintains policies (for itself and on behalf of Santee Cooper, the one-third owner of Summer Station) with Nuclear Electric Insurance Limited. The policies, covering the nuclear facility for property damage, excess property damage and outage costs, permit retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, SCE&G's portion of the retrospective premium assessment would not exceed \$14.1 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from a nuclear incident at Summer Station exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that SCE&G's rates would not recover the cost of any purchased replacement power, SCE&G will retain the risk of loss as a self-insurer. SCE&G has no reason to anticipate a serious nuclear incident at Summer Station. However, if such an incident were to occur, it would have a material adverse impact on SCE&G's results of operations, cash flows and financial position.

B. Environmental

In March 2005, the United States Environmental Protection Agency (EPA) issued a final rule known as the Clean Air Interstate Rule (CAIR). CAIR requires the District of Columbia and 28 states, including South Carolina, to reduce nitrogen oxide and sulfur dioxide emissions in order to attain mandated state levels. SCE&G has petitioned the United States Court of Appeals for the District of Columbia Circuit to review CAIR. Several other electric utilities have filed separate petitions. The petitioners seek a change in the method CAIR uses to allocate sulfur dioxide emission allowances to a method the petitioners believe is more equitable. The Company believes that installation of additional air quality controls will be needed to meet the CAIR requirements, although compliance plans and cost to comply with the rule have not been determined. Such costs will be material and are expected to be recoverable through rates.

In March 2005, the EPA issued a final rule establishing a mercury emissions cap and trade program for coal-fired power plants that requires limits to be met in two phases, in 2010 and 2018. Although the Company expects to be able to meet the Phase I limits through those measures it already will be taking to meet its CAIR obligations, it is uncertain as to how the Phase II limits will be met. Assuming Phase II limits remain unchanged, installation of additional air quality controls likely will be required to comply with the rule's Phase II mercury emission caps. Final compliance plans and costs to comply with the rule are still under review. Such costs will be material and are expected to be recoverable through rates.

SCE&G has been named, along with 53 others, by the EPA as a potentially responsible party (PRP) at the Alternate Energy Resources, Inc. (AER) Superfund site located in Augusta, Georgia. The EPA placed the site on the National Priorities List on April 19, 2006. AER conducted hazardous waste storage and treatment operations from 1975 to 2000, when the site was abandoned. While operational, AER processed fuels from waste oils, treated industrial coolants and oil/water emulsions, recycled solvents and blended hazardous waste fuels. During that time, SCE&G occasionally used AER for the processing of waste solvents, oily rags and oily wastewater. The EPA and the State of Georgia have documented that a release or releases have occurred at the site leading to contamination of groundwater, surface water and soils. The EPA and the State of Georgia have conducted a preliminary assessment and site inspection. The site has not been remediated nor has a clean-up cost been estimated. Although a basis for the allocation of clean-up costs among the PRPs is unclear, SCE&G does not believe that its involvement at this site would result in an allocation of costs that would have a material adverse impact on its results of operations, cash flows or financial condition. Any cost allocated to SCE&G arising from the remediation of this site, net of insurance recoveries, if any, is expected to be recoverable through rates.

SCE&G has been named, along with 29 others, by the EPA as a PRP at the Carolina Transformer Superfund site located in Fayetteville, North Carolina. The Carolina Transformer Company (CTC) conducted an electrical transformer rebuilding and repair operation at the site from approximately 1959 to 1986. During that time, SCE&G occasionally used CTC for the repair of existing transformers, purchase of new transformers and sale of used transformers. In 1984, the EPA initiated a remediation of PCB-contaminated soil and groundwater at the site. The EPA reports that it has spent \$36 million to date. SCE&G does not believe that its involvement at this site would result in an allocation of costs that would have a material adverse impact on its results of operations, cash flows or financial condition. Any cost allocated to SCE&G arising from the remediation of this site, net of insurance recoveries, if any, is expected to be recoverable through rates.

SCE&G maintains an environmental assessment program to identify and evaluate current and former sites that could require environmental clean-up. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and remediate each site. These

estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Amounts estimated and accrued to date for site assessments and clean-up relate solely to regulated operations. SCE&G defers site assessment and clean-up costs and recovers them through rates (see Note 1). Deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled \$17.5 million at March 31, 2007. The deferral includes the estimated costs associated with the following matters.

SCE&G owns a decommissioned MGP site in the Calhoun Park area of Charleston, South Carolina. SCE&G anticipates that remediation for contamination at the site will be completed in late 2007, with certain monitoring and retreatment activities continuing through 2012. As of March 31, 2007, SCE&G had spent \$22.3 million to remediate the site and expects to spend an additional \$1.1 million prior to entering a monitoring and reporting stage. In addition, the National Park Service of the Department of the Interior made an initial demand to SCE&G for payment of \$9.1 million for certain costs and damages relating to this site. SCE&G expects to recover any cost arising from the remediation of this site through rates.

SCE&G owns three other decommissioned MGP sites in South Carolina which contain residues of by-product chemicals. One of the sites has been remediated and will undergo routine monitoring until released by the South Carolina Department of Health and Environmental Control (DHEC). The other sites are currently being investigated under work plans approved by DHEC. SCE&G anticipates that major remediation activities for the three sites will be completed by 2011. As of March 31, 2007, SCE&G has spent \$4.8 million related to these three sites, and expects to spend an additional \$11.2 million. SCE&G expects to recover any cost arising from the remediation of these sites through rates.

C. Claims and Litigation

In August 2003, SCE&G was served as a co-defendant in a purported class action lawsuit styled as *Collins v. Duke Energy Corporation, Progress Energy Services Company, and South Carolina Electric & Gas Company* in South Carolina's Circuit Court of Common Pleas for the Fifth Judicial Circuit. Since that time, the plaintiffs have dismissed defendants Duke Energy and Progress Energy and are proceeding against SCE&G only. The plaintiffs are seeking damages for the alleged improper use of electric transmission and distribution easements but have not asserted a dollar amount for their claims. Specifically, the plaintiffs contend that the licensing of attachments on electric utility poles, towers and other facilities to nonutility third parties or telecommunication companies for other than the electric utility's internal use along the electric transmission and distribution line rights-of-way constitutes a trespass. It is anticipated that this case may not go to trial before 2008. SCE&G intends to mount a vigorous defense. SCE&G further believes that the resolution of these claims will not have a material adverse impact on its results of operations, cash flows or financial condition.

In May 2004, the Company was served with a purported class action lawsuit styled as *Douglas E. Gressette, individually and on behalf of other persons similarly situated v. South Carolina Electric & Gas Company and SCANA Corporation*. The case was filed in South Carolina's Circuit Court of Common Pleas for the Ninth Judicial Circuit. The plaintiff alleges the Company made improper use of certain easements and rights-of-way by allowing fiber optic communication lines and/or wireless communication equipment to transmit communications other than the Company's electricity-related internal communications. The plaintiff asserted causes of action for unjust enrichment, trespass, injunction and declaratory judgment. The plaintiff did not assert a specific dollar amount for the claims. The Company believes its actions are consistent with governing law and the applicable documents granting easements and rights-of-way. The Circuit Court granted the Company's motion to dismiss and issued an order dismissing the case in June 2005. The plaintiff appealed to the South Carolina Supreme Court. The Supreme Court overruled the Circuit Court in October 2006 and returned the case to the Circuit Court for further consideration. It is anticipated that this case may not go to trial before 2008. The Company will continue to mount a vigorous defense and believes that the resolution of these claims will not have a material adverse impact on its results of operations, cash flows or financial condition.

A complaint was filed in October 2003 against SCE&G by the State of South Carolina alleging that SCE&G violated the Unfair Trade Practices Act by charging municipal franchise fees to some customers residing outside a municipality's limits. The complaint sought restitution to all affected

customers and penalties of up to \$5,000 for each separate violation. The claim against SCE&G has been settled by an agreement between the parties, and the settlement has been approved by South Carolina's Circuit Court of Common Pleas for the Fifth Judicial Circuit. In addition, SCE&G filed a petition with the SCPSC in October 2003 pursuant to S. C. Code Ann. R.103-836. The petition requests that the SCPSC exercise its jurisdiction to investigate the operation of the municipal franchise fee collection requirements applicable to SCE&G's electric and gas service, to approve SCE&G's efforts to correct any past franchise fee billing errors, to adopt improvements in the system which will reduce such errors in the future, and to adopt any regulation that the SCPSC deems just and proper to regulate the franchise fee collection process. A hearing on this petition has not been scheduled. The Company believes that the resolution of these matters will not have a material adverse impact on its results of operations, cash flows or financial condition.

The Company is also engaged in various other claims and litigation incidental to its business operations which management anticipates will be resolved without a material adverse impact on the Company's results of operations, cash flows or financial condition.

4. SEGMENT OF BUSINESS INFORMATION

The Company's reportable segments are listed in the following table. The Company uses operating income to measure profitability for its regulated operations. Therefore, earnings available to the common shareholder are not allocated to the Electric Operations and Gas Distribution segments. Intersegment revenues were not significant. All Other includes equity method investments.

Millions of Dollars	External Revenue	Operating Income (Loss)	Earnings (Loss) Available to Common Shareholder	Segment Assets
<i>Twelve Months Ended March 31, 2007</i>				
Electric Operations	\$ 1,932	\$ 402	n/a	\$ 5,243
Gas Distribution	501	33	n/a	453
All Other	-	-	(22)	-
Adjustments/Eliminations	-	(7)	237	1,582
Consolidated Total	\$ 2,433	\$ 428	\$ 215	\$ 7,278

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED MARCH 31, 2007

Line No.	Description	(\$000's)		
		Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>1,931,616</u>	<u>(1,000)</u>	<u>1,930,616</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	673,074	(809)	672,265
4	O&M Expenses - Other	469,110	(3,907)	465,203
5	Depreciation & Amortization Expenses	231,596	6,018	237,614
6	Taxes Other Than Income	122,222	5,546	127,768
7	Total Income Taxes	<u>138,908</u>	<u>(6,442)</u>	<u>132,466</u>
8	Total Operating Expenses	<u>1,634,910</u>	<u>406</u>	<u>1,635,316</u>
9	Operating Return	296,706	(1,406)	295,300
10	Customer Growth	3,193	(19)	3,174
11	Interest on Customer Deposits	<u>(491)</u>	<u>-</u>	<u>(491)</u>
12	<u>Return</u>	<u>299,408</u>	<u>(1,425)</u>	<u>297,983</u>
13	<u>Rate Base</u>			
14	Plant in Service	6,622,656	36,109	6,658,765
15	Reserve for Depreciation	<u>2,266,787</u>	<u>6,572</u>	<u>2,273,359</u>
16	Net Plant	4,355,869	29,537	4,385,406
17	Construction Work in Progress	250,786	(57,983)	192,803
18	Deferred Debits / Credits	(109,984)	35	(109,949)
19	Total Working Capital	29,936	(243)	29,693
20	Materials & Supplies	234,438	-	234,438
21	Accumulated Deferred Income Taxes	<u>(599,317)</u>	<u>-</u>	<u>(599,317)</u>
22	Total Rate Base	<u>4,161,728</u>	<u>(28,654)</u>	<u>4,133,074</u>
23	<u>Rate of Return</u>	7.19%		7.21%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED MARCH 31, 2007

Line No.	Description	(\$000's)		
		<u>Retail As Adjusted</u>	<u>Proposed Increase</u>	<u>Total After Proposed Increase</u>
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	<u>Operating Revenues</u>	<u>1,851,646</u>	<u>118,088</u>	<u>1,969,734</u>
2	<u>Operating Expenses</u>			
3	O&M Expenses - Fuel	634,901		634,901
4	O&M Expenses - Other	446,634		446,634
5	Depreciation & Amorization Expenses	227,744		227,744
6	Taxes Other Than Income	123,206	550	123,756
7	Total Income Taxes	<u>130,780</u>	<u>44,958</u>	<u>175,738</u>
8	Total Operating Expenses	<u>1,563,265</u>	<u>45,508</u>	<u>1,608,773</u>
9	Operating Return	288,381	72,580	360,961
10	Customer Growth	3,174	798	3,972
11	Interest on Customer Deposits	<u>(491)</u>	<u>-</u>	<u>(491)</u>
12	<u>Return</u>	<u>291,064</u>	<u>73,378</u>	<u>364,442</u>
13	<u>Rate Base</u>			
14	Plant in Service	6,408,510	-	6,408,510
15	Reserve for Depreciation	<u>2,187,569</u>	<u>-</u>	<u>2,187,569</u>
16	Net Plant	4,220,941	-	4,220,941
17	Construction Work in Progress	184,759	-	184,759
18	Deferred Debits / Credits	(106,838)	-	(106,838)
19	Total Working Capital	25,503	-	25,503
20	Materials & Supplies	222,852	-	222,852
21	Accumulated Deferred Income Taxes	<u>(577,267)</u>	<u>-</u>	<u>(577,267)</u>
22	Total Rate Base	<u>3,969,950</u>	<u>-</u>	<u>3,969,950</u>
23	<u>Rate of Return</u>	7.33%		9.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC OPERATING EXPERIENCE
TWELVE MONTHS ENDED MARCH 31, 2007

		(\$000's)								DEF. DEBITS/ CREDITS & PAYABLES
ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 35%	PLANT IN SERVICE	ACCUM. DEPREC.	
1	ANNUALIZE WAGES, BENEFITS, & PAYROLL TAXES									
	A) ANNUALIZE WAGES, BENEFITS, & PAYROLL TAXES		4,313		306	(231)	(1,536)			
	B) INCENTIVE PAY		(1,782)		(166)	97	648			
2	PENSION & HEALTH CARE RELATED ADJUSTMENTS									
	A) PENSION INCOME		(1,471)			74	489			
	B) OTHER POST EMPLOYMENT BENEFITS		(56)			3	19			35
3	ELIMINATE EMPLOYEE CLUBS INVESTMENT & EXPENSES		(348)	(705)		53	350	(4,812)	(1,147)	
4	ADJUST PROPERTY TAXES				5,411	(271)	(1,799)			
5A	PROPERTY RETIREMENTS					-	-	(7,544)	(7,544)	
5B	PROPERTY ADDITIONS			1,915		(96)	(637)	42,671	1,915	(41,937)
5C	REMOVE CWIP ASSOCIATED WITH NEW NUCLEAR GENERATION									(10,252)
6	CWIP							5,795		(5,795)
7	AMR DEPRECIATION			682		(34)	(227)		682	
8	ANNUALIZED DEPRECIATION			12,666		(633)	(4,212)		12,666	
9	REAGENT EXPENSES		(4,820)			241	1,603			
10	NON-RECURRING FEDERAL AGENCY FEES		1,788			(89)	(595)			
11	NON-RECURRING MORGAN STANLEY MARKET ADJUSTMENT FEE	(1,000)				(50)	(333)			
12	ANNUALIZE INSURANCE EXPENSE		546			(27)	(182)			
13	ANNUALIZE VCS OUTAGE ACCRUAL		963			(48)	(320)			
14	VCS EMERGENCY FEEDWATER & ASIC CARD WRITE-OFF		(2,008)		(5)	101	669			
15	RECLASSIFICATION OF TAXES RELATED TO WETLAND ACCRUAL					(17)	(114)			
16	POSTAGE INCREASE		126			(6)	(42)			
17	PURCHASED POWER			(8,539)		427	2,839			
18	CAPACITY PURCHASES		(1,967)			98	654			
19	WORKING CASH									(243)
20	TAX EFFECT OF ANNUALIZED INTEREST					(432)	(2,876)			
	TOTAL ADJUSTMENTS	(1,000)	(4,716)	6,018	5,546	(840)	(5,602)	36,109	6,572	(57,983)
										(208)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED MARCH 31, 2007

Line No.	Description (Col. 1)	Requested (\$000's) (Col. 2)
1	Jurisdictional Rate Base	3,969,950
2	Required Rate of Return	<u>9.18%</u>
3	Required Return	364,441
4	Actual Return Earned	<u>291,064</u>
5	Required Increase to Return	73,377
6	Factor to Remove Customer Growth	<u>1.011006</u>
7	Additional Return Required from Revenue Increase	72,579
8	Composite Tax Factor	<u>0.61462</u>
9	Required Revenue Increase	<u>118,088</u>
10	Proposed Revenue Increase	<u>118,088</u>
Additional Expenses		
11	Gross Receipts Tax @ .004657	550
12	State Income Tax @ 5%	5,877
13	Federal Income Tax @ 35%	<u>39,081</u>
14	Total Taxes	<u>45,508</u>
15	Additional Return	72,580
16	Additional Customer Growth	<u>799</u>
17	Total Additional Return	73,379
18	Earned Return	<u>291,064</u>
19	Total Return as Adjusted	364,443
20	Rate Base	3,969,950
21	Rate of Return	9.18%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF FIXED ASSETS - ELECTRIC
AT MARCH 31, 2007

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col. 1)		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
Gross Plant in Service					
1	Intangible Plant	61,522	3,413	64,935	62,501
2	Production	3,523,528	33,648	3,557,176	3,359,175
3	Transmission	652,806	(6)	652,800	615,923
4	Distribution	2,046,239	2,380	2,048,619	2,048,239
5	General	124,689	1,394	126,083	121,358
6	Common (1)	213,872	(4,720)	209,152	201,314
7	Total Gross Plant in Service	6,622,656	36,109	6,658,765	6,408,510
Construction Work in Progress					
8	Production	129,648	(48,533)	81,115	76,600
9	Transmission	42,852	(5)	42,847	40,426
10	Distribution	43,668	(4,202)	39,466	39,459
11	General	9,463	(5,108)	4,355	4,192
12	Common (1)	25,155	(135)	25,020	24,082
13	Total Construction Work in Progress	250,786	(57,983)	192,803	184,759
(1) Electric Portion					

SOUTH CAROLINA ELECTRIC & GAS COMPANY
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AT MARCH 31, 2007

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
(Col 1)		(Col 2)	(Col 3)	(Col 4)	(Col 5)
1	Intangible Plant	-	-	-	
2	Production	1,207,900	(2,888)	1,205,012	1,137,938
3	Transmission	203,646	433	204,079	192,566
4	Distribution	675,006	457	675,463	675,335
5	General	100,396	1,626	102,022	98,199
6	Common	<u>79,839</u>	<u>6,944</u>	<u>86,783</u>	<u>83,531</u>
7	Total	<u>2,266,787</u>	<u>6,572</u>	<u>2,273,359</u>	<u>2,187,569</u>

The Annual Rates Used to Compute Depreciation Are Shown Below. Weighted average depreciation rates are provided for test year balances, since depreciation is calculated at the account level in accordance with the depreciation study approved by SC PSC Order No. 2005 - 2.

	COMPOSITE RATES PER APPROVED DEPRECIATION STUDY	WEIGHTED AVERAGE RATES PER ACTIVITY THROUGH 3/31/2007
Steam Production	4.80%	4.66%
Nuclear Production	1.98%	1.99%
Hydro Production	1.50%	1.51%
Other Production	4.54%	4.39%
Other Production - Jasper	4.00%	
Transmission - Nuclear	1.87%	1.87%
Transmission - Other	2.43%	2.47%
Distribution	2.54%	2.56%
General	7.84%	4.70%
Common Plant	15.12%	7.21%

SOUTH CAROLINA ELECTRIC & GAS COMPANY
MATERIALS AND SUPPLIES - ELECTRIC
AT MARCH 31, 2007

		(\$000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Fuel Stock				
1	Nuclear	39,067	-	39,067	36,896
2	Fossil	<u>64,329</u>	<u>-</u>	<u>64,329</u>	<u>60,754</u>
3	Total Fuel Stock	103,396	-	103,396	97,650
4	Emission Allowances	50,029	-	50,029	47,244
5	Other Electric Materials and Supplies	<u>81,013</u>	<u>-</u>	<u>81,013</u>	<u>77,958</u>
6	Total	<u>234,438</u>	<u>-</u>	<u>234,438</u>	<u>222,852</u>

DEFERRED DEBITS / CREDITS - ELECTRIC
AT MARCH 31, 2007

7	Post Employment Benefit	(80,844)	35	(80,809)	(77,750)
8	Deferred Environmental Costs	(174)	-	(174)	(167)
9	Storm Damage Reserve	(28,162)	-	(28,162)	(28,162)
10	Major Maintenance Accrual	<u>(804)</u>	<u>-</u>	<u>(804)</u>	<u>(759)</u>
11	Total	(109,984)	35	(109,949)	(106,838)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WORKING CAPITAL INVESTMENT - ELECTRIC
AT MARCH 31, 2007

		(\$000's)			
Line		Regulatory Per			
No.	Description	Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	117,610	(243)	117,367	111,756
2	Prepayments	<u>10,482</u>	<u>-</u>	<u>10,482</u>	<u>9,963</u>
3	Total Investor Advanced Funds	128,092	(243)	127,849	121,719
4	Less: Customer Deposits	(26,342)	-	(26,342)	(26,342)
5	Average Tax Accruals	(66,559)	-	(66,559)	(64,816)
6	Injuries and Damages	<u>(5,255)</u>	<u>-</u>	<u>(5,255)</u>	<u>(5,058)</u>
7	Total Working Capital	<u>29,936</u>	<u>(243)</u>	<u>29,693</u>	<u>25,503</u>

SOUTH CAROLINA ELECTRIC & GAS COMPANY
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AT MARCH 31, 2007

Regulatory Capitalization for Electric Operations as of March 31, 2007

<u>Description</u> (Col. 1)	<u>Pro Forma Amount</u> (Col. 2) \$	<u>Pro Forma Ratio</u> (Col. 3) %	<u>As Adjusted</u>		<u>After Proposed Increase</u>	
			<u>Pro Forma Embedded Cost/Rate</u> (Col. 4) %	<u>Overall Cost/Rate</u> (Col. 5) %	<u>Pro Forma Embedded Cost/Rate</u> (Col. 6) %	<u>Overall Cost/Rate</u> (Col. 7) %
Long Term Debt	2,096,488,400	44.26%	6.23%	2.76%	6.23%	2.76%
Preferred Stock	114,558,800	2.42%	6.41%	0.16%	6.41%	0.16%
Common Equity	<u>2,525,737,686</u>	<u>53.32%</u>	8.27%	<u>4.41%</u>	11.75%	<u>6.26%</u>
Total	4,736,784,886	100.00%		7.33%		9.18%

(1) Includes \$275 million associated with the planned issuance of Long Term Debt in 2008.